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SUBJECT: KEFAYA DEMONSTRATES AGAINST RISING INFLATION

Protest Marks Anniversary of 1977 Uprising

11. (U) Opposition movement "Kefaya" held a demonstration on January 18, the 30th anniversary of the 1977 Bread Intifada, to protest increases in prices of basic commodities and express solidarity with workers from the Nile Delta towns of Helwan and Mahalla, who went on strike in December over promised but unpaid end-of-year bonuses. Press reports indicated approximately 100 people assembled for the protest in front of the El-Sayyeda Zeinab Mosque in downtown Cairo. State security services surrounded the protestors but took no action to stop the demonstration. Carrying anti-government banners and holding up carrots and onions, the crowd demanded the government take action to lower commodity prices and called for greater government transparency. The demonstration coordinator, Kefaya member Kareem Mohamed Rega, was quoted as saying "commodity prices have constantly been rising the past 25 years ever since Mubarak came to power. People need lower food prices and we chose to hold the demonstration today to mark the 30th anniversary of the 1977 Bread Intifada."

12. (U) The January 1977 Bread Intifada erupted when President Anwar Sadat decided to dramatically increase the price of basic commodities, such as bread and vegetables, overnight. Riots and strikes broke out around the country, prompting Sadat to overturn his decision temporarily. Egyptian contacts frequently cite the 1977 "Bread Riots" as evidence that when pushed far enough, Egyptians will take to the streets in large numbers to demand change, particularly when it comes to economic concerns. Some analysts also cite the incident as the cause of the GOE's extreme caution when making changes to the commodity subsidy program. Recent changes to this program, including the July fuel subsidy reduction, were modest in comparison to the cuts needed to reduce the program's burden on the state budget.

Despite Low Turnout, Inflationary Concerns Increasing

13. (U) Although the protest drew only a modest crowd, price increases are a subject of much concern in the media and among average Egyptians. The Consumer Price Index rose 12.4% year-on-year in December 2006, the highest level in 2 years. Warning of possible overheating in the economy, the Central Bank raised interest rates in October and again in November, with some, but not all, commercial banks following suit. The GOE has been treading a thin line on inflation vs. growth, not wanting to dampen the impressive growth rate of 6.9% registered in fiscal year 2005-06. Many economic analysts believe the real problem for the average Egyptian is not

the rise in prices, but the lack of a concomitant rise in wages. It was precisely this issue that prompted the strikes at state-owned textile factories in Helwan and Mahalla in December. Prime Minister Nazif had promised workers a 2 month bonus, which the factories refused to pay. Workers went on strike until management agreed to pay the bonus.

Kefaya' Future Unclear

14. (SBU) COMMENT: This was the first time Kefaya organized a demonstration solely to protest an economic issue. Some observers see the voicing of economic concerns as an attempt to broaden Kefaya's appeal to the average Egyptian. The relatively low turnout, however, was seen by some as an indication of Kefaya's waning unity and organizational capacity. In the aftermath of the demonstration, Kefaya's leader, George Issac, stepped down on January 25, while denying rumors of a power struggle in the organization. Isaac told the press that his resignation was a message to Arab leaders to step down and make room for new blood. Dr. Abdel Wahab Al-Misseiry took over as head of Kefaya upon Isaac's resignation. Although Al-Misseiry has not announced his intentions as the new leader of Kefaya, the modest turnout for the January 18 demonstration may dissuade the organization from future attempts to mix economic issues with the group's political agenda.
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